ET HANDBOOK NO. 336, 15th EDITION

STATE AGENCY
UI PROGRAM AND BUDGET PLANS (PBP)
PLANNING AND REPORTING GUIDELINES

CHAPTER I - PLANNING

I. <u>Introduction</u>.

A. <u>Background</u>.

1. <u>Chapter I</u>. Chapter I of the FY 1999 <u>PBP Handbook</u> provides guidelines for the completion and submittal of the State Employment Security Agency (SESA) Program and Budget Plans (PBPs) for the Unemployment Insurance (UI) program. It also sets forth the high priority program activities which the Employment and Training Administration (ETA) will emphasize during the fiscal year. The completion and submittal of the PBP by the SESA constitute a certification that the SESA will comply with all applicable laws, regulations, and administrative requirements.

2. <u>UI PERFORMS</u>. UIS' efforts to revise and enhance the various components of UI's closed-loop, continuous improvement oversight system, UI PERFORMS, will continue. The goal of UI PERFORMS is to ensure ever-increasing quality in the services received by the system's ultimate customers: UI beneficiaries and subject employers. Key elements of the enhanced system are a revised set of performance objectives, developed in partnership with the States, for which the Department and the States will be held accountable; increased validation of data reported; and revitalized performance planning and improvement processes. Following is a brief history and update of the progress that has been made:

Beginning in 1993, a team of senior State Employment Security Agency (SESA) managers and Unemployment Insurance Service (UIS) staff known as the Performance Enhancement Work Group (PEWG), developed the broad framework and general outline of a number of changes to enhance and revitalize UI's closed-loop oversight system. UIPL No. 41-95, issued August 21, 1995, describes the UI PERFORMS design and solicits comments from SESAs. It is expected to take several years to collaboratively develop detailed specifications for and to implement all the changes envisioned. Therefore, changes to the various components are being phased in as they are completed.

Most activity and emphasis to date has focused on the measurement aspect of UI PERFORMS, specifically on facilitating and assuring the successful implementation of, or change to, the various component measurement systems: the Tax Performance System (TPS), the Benefits Timeliness and Quality (BTQ), and Benefit Accuracy Measurement (BAM). Due to initiatives which predated PEWG, detailed change specifications were available for each of these areas. The TPS reflects the new measures for tax performance developed under Revenue Quality Control; BTQ, the updated measures and the new nonmonetary determination and appeals quality review processes developed under the Performance Measurement Review (PMR) project; and BAM, the increased flexibility and smaller sample sizes resulting from the Benefits Quality Control redesign.

For Fiscal Year 2000, a planning process designed to replace the PBP with a process that can better support and facilitate continuous performance improvement will be introduced. This process will be known as the State Quality Service Plan (SQSP). A new annual report format covering all the component measurement systems should also be complete and utilized for highlighting 1998 performance information. In addition, data validation efforts will continue with the field testing of that system. Finally, the operational pilot test of the denied claim accuracy system will be completed and an evaluation begun to identify software and system refinements needed for nationwide implementation.

The following progress has been made in implementing operational aspects of UI PERFORMS:

a. <u>Measurement</u>. The BTQ measures that are to be used in the new performance system were outlined in UIPL 10-96 dated February 26, 1996. The effective date for implementation of redefined BTQ measures was January 1, 1997. SESAs received initial training during the fourth quarter of FY 1996 to prepare them to conduct quarterly quality reviews of appeals and nonmonetary determinations.

Corrective Action Plan (CAP) requirements for Benefit areas have been modified to reflect available data considerations and applicability of DLAs in view of redefinitions. This will affect the CAP requirements for FY 1999.

The TPS measures which are to be used in UI PERFORMS were developed through the RQC initiative. The RQC design became operational on January 1, 1996. All SESAs should be conducting TPS Program Reviews of internal controls, and reporting the ETA 581 data elements used for TPS Computed Measures as described in the RQC Operations Handbook - ET Handbook No. 407, dated January 26, 1996.

In the Tax area, CAPs will be required only if the SESA can not ensure that all sampling universes are in place and that samples are being extracted and examined to verify that the internal controls are in place and operating as designed. Data are to be recorded manually, and, as software is released, entered into the UI data base per instructions issued as Appendix F of ET Handbook No. 407. Performance data will be compiled by the National Office and used by Federal and SESA staff to improve performance as appropriate.

The Office of Management and Budget approved the change from BQC to BAM late in FY 1996. The reduction in sample levels to a lower minimum level and the increased flexibility in investigative methodology was effective at the beginning of CY 1997 with Batch 9701. While the regulatory requirements for BAM remain the same as BQC, SESAs are urged, due to smaller sample sizes and more flexibility in investigative methods, to conduct BAM operations with even greater care than usual, to minimize non sampling error through ensuring that verifications are conducted as thoroughly as possible.

b. <u>Data Validation.</u> In light of changes in the benefits and tax areas, and recognizing the scope of UI activities and volume of data that States are required to report to the Department, it was decided to undertake a project to broaden the scope of validation to encompass most of UI required reports for benefits and tax. Through the services of a contractor, a new methodology was developed which must now be field tested in several pilot locations. The results of the pilot test will be used to guide the Department in determining a strategy for formally implementing a replacement validation system nationwide.

c. State Quality Service Plan (SQSP). UIS, in collaboration with its partners, has developed and will implement a new system for appraising State performance and funding the Unemployment Insurance system throughout the Nation for FY 2000. This system will replace the PBP process, provide a process for the SESA to share program focus at the State level, and focus on Continuous Improvement, based upon a Tier I concept with mandatory performance measures, and a Tier II concept with negotiated performance measures. A draft of this document has been accepted by the Performance Enhancement Group, and is ready for publication in the Federal Register. A UIPL will be published concurrently to allow for direct SESA comment. Developing an effective document has required significant participation from our many partners. As a result, we believe that a process has been developed that will be meaningful and useful to all involved in the UI program, and result in the kind of commitment to product improvement that this program deserves to achieve.

d. Regulation. The UI PERFORMS Advance Notice of Proposed Rulemaking (ANPRM) was published in the Federal Register on January 16, 1997. The Notice was also sent to all SESAs and partners nationwide. It is important to remember that at this time, this is a work in progress. A final rule will not be adopted without extensive input from all of the UI partners.

e. Annual Reports. Changes to definitions as well as the sample universe have resulted in modification to published reports. The BAM report will be published in 1998 with data from the previous program year. In addition, the Tax Program has been collecting data for a sufficient period of time to make publication of TPS data reasonable.

The annual Quality Appraisal Results booklet, however, which contains Benefit Quality results must be modified for FY 1998 as the data which formed the basis for that publication is not fully comparable. It is the intent of UIS to publish that data which can be adjusted to be comparable (such as First Payment) and which is unchanged (such as Benefit Payment Control) as well as annotating those elements which are no longer comparable (such as Nonmonetary Quality). Beyond this, UIS is working to develop an overarching plan for data publication in an annual format that reflects the purpose of the UI PERFORMS initiative, and provides data that all partners can utilize. This task will not be accomplished without the input and involvement of our many partners in the UI system.

f. Benchmarking. Changes in tax and benefit measurement systems make the task of establishing (or reaffirming) appropriate Desired Levels of Achievement (DLA) necessary. This task can only be accomplished after sufficient data is gathered to allow for comparison and evaluation of performance levels achieved. In the interim, however, the lack of valid DLAs does not preclude a commitment to continuous improvement in those areas that we now measure. It is that approach which UIS will encourage during this interim period.

B. OMB Approval. OMB has approved ET Handbook No. 336, Chapters I and II for use through September 30, 1999, according to the Paperwork Reduction Act of 1995, under OMB No. 1205-0132.

C. Changes. No substantive changes have been made to Chapter I of the FY 1999 PBP Handbook; however, accommodation has been made for SESA plans for use of increased integrity allocations included in the President's Budget. In addition, accommodation has been made for SESAs to report Year 2000 Automation expenditures in block 12 of the current SF 269 (fiscal reporting page).

II. Content and Submittal of PBP. The following guidelines are provided to assist SESAs in the completion and submittal of their FY 1999 PBP.

A. Content of PBP. The FY 1999 PBP must contain the documents listed below (unless specified otherwise):

1. Transmittal Letter. SESA Administrators must prepare and send a cover letter to the appropriate Regional Administrator transmitting all the required PBP documents. Such letter may include, at State option, a description of the State's program priorities or emphasis for the year, or other information the State may wish to provide relevant to the State's Program Budget Plan. SESAs are referred to the draft SQSP program narrative format for guidance. This document is currently being circulated for comment.

2. PBP Content Checklist. SESAs must complete and submit the PBP Content Checklist located on the first page in Appendix I. This Checklist is used to show all the documents which comprise the entire PBP although not all of them will be required for each SESA. Each SESA must check in Column A of the Checklist the specific documents which comprise its individual PBP. (See the "Cross-Reference List for the UI PBP Checklist" located at the end of this Chapter.)

3. Organization Chart. The SESA must submit a new organization chart if the organization of the SESA has changed in the last year. The new organization chart should show the SESA's organizational configuration down to the local office level and should show each organizational unit and the title of the unit manager.

4. Drug-Free Workplace Certification. SESAs must submit a copy of the signed Drug-Free Workplace certification to the Regional Office with the PBP.

5. Lobbying Certification. SESAs must submit a signed copy of the Lobbying certification to the Regional Office with the PBP.

6. **Signature Page.** SESA Administrators must sign and date the Signature Page located on page 1 of Appendix I. By signing the Signature Page, the SESA Administrator certifies that the SESA will comply with all the assurances contained in the PBP guidelines. Therefore, it is not necessary for SESAs to include written assurances with their PBP submittal.

7. **Corrective Action Plans/Milestones.** SESAs must complete and submit Corrective Action Plans (CAPs) for Performance areas which did not meet (1) Secretary's Standards (SS) and DLA criteria for the l2 month period ending March 31, 1998, (2) Continuous Improvement Plans for any Nonmonetary measure in which it can not be shown that continuous improvement has occurred throughout the measurement period, (3) any Tax or Benefit area for which required reports were not submitted, (4) deficiencies identified in UI program reviews for FY 1998, (5) failed Federal requirements identified in Benefits Accuracy Measurement (BAM) for 1998, and (6) one or more plans for utilization of increased Integrity funding. NOTE that these integrity plans can be incorporated into corrective action plans for deficiencies in one of the four areas allowed, if appropriate. Instructions for completing CAPs and milestones are located in Section IV.

Special Considerations for FY 1999: In UIPL 10-96, SESAs were advised that "UIS will publish a report on State performance using available data reported under the new benefits measures in 1997....The relationship of this new report to corrective action planning is still under analysis in the UIS".

At this time, the definitional changes in the Nonmonetary Quality review area make application of existing DLAs inappropriate. Therefore, for FY 1999, and until new benchmarks can be established in consultation with our partners, SESAs are asked to develop continuous improvement goals in these areas and must submit CAPs for any area in which Nonmonetary performance has not consistently shown improvement over the measurement period. .

The following summary of Quality Appraisal measurements and our determination of how they relate to the measurement of data follows. This will provide SESAs with a summary of what is required for the FY 1999 PBP.

CATEGORY	1999 CAP IF DEFICIENT (1997-98 Performance OR no performance reported)	1999 PERFORMANCE under the new State Quality Service Plan (SQSP)
1st pay - intra 14/21 35 inter 14/21 35 ucfe 14/21 35 ucx 14/21 35	SS (inc. partial/pt. total) SS ” SS ” SS ” DLA ” DLA ” DLA ” DLA ”	These will be Tier I measures with mandatory performance levels.
Non Mon Intra Sep. Quality Intra Non Sep Quality Intra Promptness	 Continuous Improvement Continuous Improvement Continuous Improvement	 Will be Tier I measures with mandatory performance level but need Benchmarks.
CWC Wage/Tran Promptness CWC Trans/State Promptness	DLA DLA	Will be Tier II (negotiated)
Appeals Time lapse Lower Authority 30 Days 45 Days Higher Authority 45 Days 75 Days Appeals Quality	 SS SS DLA DLA DLA	Will be Tier I measures with mandatory performance level.
Cash Mgmt Clearing Acct. deposit Benefit Acct. deposit	 Continuous Improvement CMIA Agreement	 Will be Tier II (negotiated) CMIA Agreement
BPC Fraud Non Fraud	DLA DLA	Will be redefined

In addition, SESAs MUST submit a plan of action for utilization of the increased integrity funding in any or all of the following areas. Note that this plan may be incorporated into an already existing required CAP if performance in one of these areas is deficient:

A. Initial Claim Separation Issues

B. Field Audit

C. Benefit Payment Control

D. Eligibility Review Program

8. Financial Worksheets. SESAs must complete Worksheet UI-1 and SF 424, and SF 424B. SESAs should complete the SF 424A only if they vary the quarterly distribution of base claims activity staff years. Since SESAs submit the Worksheet UI-1 by April 1 of each year, it should not be included in the PBP submittal. SESAs must include SF 424, SF 424A (if necessary), and SF 424B in the PBP submittal. Facsimiles of these forms and completion instructions are located in Appendix I.

B. Submittal of PBP. The following schedule lists the significant activities and dates relating to the submittal and subsequent approval of the FY 1999 PBP:

Activity	Date
1. Regional Offices send PBP planning targets to SESAs	June 10
2. SESAs submit original and two copies of signed PBP to Regional Office.	(Date will be set by Regional Office.)
3. Regional Office notification To SESAs of PBP approval	Sept 22
4. Regional Offices notify National Office of approved PBPs	Sept 30

NOTE: The UI program is excluded from OMB Circular A-95 (now Executive Order No. 12372) coverage; therefore, it is not necessary to send the UI PBP to the Clearinghouse.

III. Federal Program Emphasis. The Federal Program Emphasis is a planning guide for the UI program, designating the primary areas in which UIS will focus attention and resources.

A. Government Performance and Results Act The five year Department of Labor (DOL) and the ETA Strategic Plans, as well as the DOL and ETA Annual Performance Plans form the basis for Program Emphasis. These plans may be found on the DOL webpage, and printed versions are also available. Required by Congress under the Government Performance and Results Act, they are an integral part of the budget process. They are outcome driven, and require a commitment from all DOL programs to attain expressed goals and outcomes.

The primary DOL goal under which the UI program may be found is:

A SECURE WORKFORCE.

The ETA Strategic Goal that speaks to this is:

Expand the effectiveness of the temporary income maintenance programs in order to meet the needs of the 21st Century economy while continuing to deliver high quality and timely service to existing customers.

Under this ETA goal, UIS has responded by developing the following Objectives:

1) Increase the proportion of unemployed workers, including low-wage and part time workers, who receive temporary income support.

2) Increase the number of States specifying in law, without restriction, a maximum weekly benefit amount of at least 2/3 the State's average weekly wage in covered employment to 15 by the end of 2002.

3) Increase system solvency. Identify and promulgate to the system adequate reserve levels in terms of the Average High Cost Multiple.

4) Increase the proportion of UI claimants receiving reemployment assistance by raising the proportion of claimants registered with the Wagner-Peyser service providers and the proportion of such registrants receiving reemployment services.

5) National performance will meet or exceed the Secretary's Standards for initial claim promptness and appeals.

6) Increase the percentage of quarterly UI Tax and Wage Reports filed on a timely basis by employers voluntarily complying with filing and payment by 3% between 1997 and 2002.

To achieve these outcomes as defined requires State commitment to these objectives. The Department intends to encourage voluntary commitment rather than prescribing mandatory action. Strategies include:

- Encourage States to review current policies, procedures and legislation to find opportunities for change that would enable movement towards these goals.

- Provide technical assistance and resources to States to expand service delivery options available to claimants and employers.

- Provide leadership for the review and reform of the Unemployment Insurance program.

- Provide leadership for the review and reform of Unemployment Insurance administrative financing.

- Explore and Improve points of connection between UI and other programs to improve integration of services for our customers.

B. Integrity Programs The continuous erosion of administrative funding available to the States over the past several years has resulted in a need for State Administrators to prioritize the use of available funding. States understandably have focused on the delivery of payments to claimants as the primary objective of the program. While that was appropriate, it resulted in less emphasis on integrity functions especially in the areas of Initial Claim Separations; Eligibility Reviews; Benefit Payment Control, and Field Audit.

Additional funding has been requested in FY 1999 to be made available to the States for increased activity in these four integrity areas. This reflects a renewed program emphasis in the administration of the program.

If appropriated, States will be required to utilize new integrity funding for one or more of these four areas and must provide a plan or plans of action that shows in which of these integrity area(s) they will use the increased base resources during FY 1999.

C. Year 2000 (Y2K) Automation Modifications The modification of automated systems within each of the 53 jurisdictions which administer the UI program must continue to be a focus of

Federal Program Emphasis for FY 1999. In addition to insuring that our internal systems are compliant, it is vital to insure that all external systems with which we interact are fully capable of handling the necessary transactions. SESAs Year 2000 compliance efforts must encompass an independent verification and validation (IV&V) process to provide assurance that Y2K compliance efforts have been successful.

In addition, prudent management of the UI system demands that each SESA develop contingency plans to ensure that core business functions can continue in the event of automated systems failures due to unanticipated events, either internal or external. Under separate cover, SESAs will be advised that they must prepare contingency plans which provide for the continuation of at least the core functions associated with the UI benefits and tax operations.

Finally, UI Administrators should realize that this inability to process workload in a number of business areas could precipitate a general economic downturn, as some economists are warning, compounding the processing problem with significant workload increases.

D. <u>UI Dialogue</u> The UI Program must be an integral part of the emerging Workforce Development System. It is the largest provider of income maintenance services within that system, and is a major link for unemployed workers to reemployment services and jobs. Even so, this system is over 60 years old, and it is time to assess its strengths and weaknesses in consultation with its various stakeholders. The economy, the workforce, and the workplace have all changed significantly in the last half century. We need to make sure that the UI program is keeping up with these changes and serving both the workers and employers of today.

The focus of this effort is to examine the program in the context of how well it performs in the following areas:

- Individual Economic Adjustment
- Macroeconomic Stabilizer
- Insurance Concept
- Financing Benefits
- Financing Administration
- Federal-State system

It is expected that this effort will take several months to complete, and be a program focus for much of FY 1999. SESA's have a significant role to play in this dialogue in their role as the point of service delivery for the UI customer. In addition, the areas identified must be viewed in the context of the GPRA goals, with measurable outcomes that define program accountability as we move into the next century.

E. Mandatory Spending Authority Increase The Department is proposing legislation that would provide $106 million in additional funding to recapture the shortfall between administrative needs and the current baseline through a distribution from the Employment Security Administration Account. In addition, a request for $20 million dollars for encouraging states to adopt an Alternate Base Period, and fund associated start -up costs has been proposed. These provisions may not be adopted this Fiscal Year; however, SESA's should be aware of the proposals. Specific instructions for attaining funding under these provision, if enacted, will be published separately.

IV. Corrective Action/Integrity Enhancement (CAP/IEP) Plans for Program Improvement. To assist SESAs in making required improvements or integrity enhancements in program performance in FY 1999, CAP/IEPs must be completed as addressed in item 7 of the Content and Submittal section on page I-5. A CAP/IEP consists of a separate narrative page and a pre-numbered milestone page provided in Appendix I.

An acceptable CAP should address items 1-6 below, while an IEP should address items 1, 3, 5, and 6. CAPs should explain how the SESA plans to meet the missed SS/DLA or correct the program review deficiency or failed Federal BAM requirement. IEPs should address planned enhancements and accomplishments. The narrative portion of the CAP/IEP should be prepared on plain bond paper and should address items 1-5 as appropriate. Item 6 should be addressed on the corresponding pre-numbered milestone page. On the pre-numbered milestone page, the SESA should list only the specific milestones (planned corrective action or enhancement activities) and the completion date for each milestone in the space provided. The pre-numbered milestone pages are numbered sequentially beginning with "2" (page 1 is the Signature Page). An alphabetic suffix should be added to clarify multiple page responses, e.g., 2/a, 2/b, 2/c.

1. For CAPs, an analysis and explanation by the SESA as to the reason the SS/DLA was not met in the previous fiscal year, failure to report, or the reason for the program review deficiency or failed Federal BAM requirement. For IEPs a statement of overall enhancement goals and planned accomplishments should be provided.

2. If a corrective action plan was in place the previous fiscal year, an analysis of why these corrective actions were not successful in improving performance and an explanation of why the actions specified in item 6 below will be more successful.

3. A projection of the schedule for achieving the prescribed corrective actions, or integrity enhancements. This schedule should be a quarterly performance projection for the current fiscal year for tracking progress and to establish State and Regional follow-up schedules.

4. If the SS/DLA will not be met or the program review or reporting deficiency or failed Federal QC requirement will not be corrected by the end of the current fiscal year, provide: (1) an estimate of where performance will be at the end of the fiscal year, (2) major actions remaining to be taken in subsequent fiscal years, and (3) a projection as to when the SS/DLA will be achieved or the program review deficiency or failed Federal BAM requirement will be corrected.

5. Brief plans for monitoring and assessing accomplishments of planned actions and for controlling quality after achieving CAP/IEP goals.

6. Specific actions (milestones) to be undertaken during the planning year covered by the CAP/IEP with specific dates for completion of each corrective action, or integrity enhancement.

> **<u>NOTE</u>:** Each CAP/IEP should be concise and specify the SESA's proposals for organizing, directing, and controlling the corrective action/improvement activities throughout the planning year.

A. <u>Corrective Action Plans for SS/DLAs</u>. Using narrative pages and pre-numbered milestone pages in Appendix I, SESAs should submit CAPs in the same order they appear in this PBP and in the checklist for each SS/DLA not met as shown in the 1998 Performance attachment to the Regional Office Review Guide as modified to reflect available data for program year 1998. In addition, Integrity Plans are required in one or more of the four allowed areas SESAs choose to address with increased integrity funding. A summary of pre- numbered milestone pages in Appendix I follows:

1. Initial Claims Promptness for Intrastate - SS - minimum of 87 percent of first payments made within 14 days (21 days for States with no waiting week) of the first compensable week ending date and a minimum of 93 percent of first payments made within 35 days of the first compensable week ending date.

2. Initial Claims Promptness for Interstate - SS - minimum of 70 percent of first payments made within 14 days (21 days for States with no waiting week) of the first compensable week ending date and a minimum of 78 percent of first payments made within 35 days of the first compensable week ending date.

3. Initial Claims Promptness for UCFE - DLA - minimum of 70 percent of first payments made within 14 days (21 days for States with no waiting week) of the first compensable week ending date and a minimum of 78 percent of first payments made within 35 days of the first compensable week ending date.

4. Initial Claims Promptness for UCX - DLA - minimum of 87 percent of first payments made within 14 days (21 days for States with no waiting week) of the first compensable week ending date and a minimum of 93 percent of first payments made within 35 days of the first compensable week ending date.

5.* NonMonetary Determination Performance for Intrastate Separation Issues - DLA - minimum of 75 percent of cases having acceptable scores.

In addition, SESAs electing to utilize integrity funding increases in the area of Initial Claim

Separation Issues must provide a plan for that use in this section.

6.* NonMonetary Determination Performance for Intrastate Non-Separation Issues - DLA - minimum of 80 percent of cases having acceptable scores.

7.* NonMonetary Determination Promptness for Intrastate Issues - DLA - minimum of 80 percent timely based on issues related to additional claims determined within 14 days of the week ending date of the first week claimed and issues related to a claims series determined within 7 days of the end of the week in which the issues are identified.

8. Combined Wage Claims Wage Transfer Promptness - DLA - minimum of 75 percent timely based on completing and returning (transaction completed) IB-4s to paying States within 7 calendar days for wage record States for wages that are on file or should be on file, and within 14 calendar days for wage request States and wage record States for wages that are obtained by request.

9. Appeals Performance for Lower Authority - DLA - minimum of 80 percent of decisions having acceptable scores of 80 percent or more.

10. Appeals Promptness for Lower Authority - SS - minimum of 60 percent of appeal decisions made within 30 days and minimum of 80 percent of appeal decisions made within 45 days.

11. Appeals Promptness for Higher Authority - DLA - minimum of 40 percent of appeal decisions made within 45 days and minimum of 80 percent of appeal decisions made within 75 days.

12.* Status Determination Promptness - DLA - minimum of 80 percent of determinations of employer liability made within 180 days of the liability date.

13.* Field Audits - Total audit penetration: DLA - minimum 2 percent penetration rate of the contributory employer population at the end of the preceding fiscal year. **Large employer penetration**: DLA - minimum 1 percent of the number of audits required for total audit penetration rate.

In addition, SESAs electing to utilize a portion of the integrity funding increase for Field Audit Integrity activity must provide a plan for that use in this section.

14.* Report Delinquency - DLA - minimum of 95 percent of employers filing reports of wages and taxes by end of quarter in which the reports were due.

15.* Collection Promptness - DLA - minimum of 75 percent of delinquent accounts with some monies obtained within 150 days from the end of the quarter for which taxes were due.

16. Benefit Payment Control - DLA - minimum recovery of 55 percent of regular State

UI fraudulent overpayments as a percentage of all regular State UI fraudulent overpayments established.

17. Benefit Payment Control - DLA - minimum recovery of 55 percent of regular State UI nonfraudulent overpayments as a percentage of all regular State UI nonfraudulent overpayments established.

In addition, SESAs electing to utilize a portion of the integrity funding increase for Benefit Payment Control activity must provide a plan for that use in this section.

18.* Cash Management: Employer Accounts - DLA - minimum of 90 percent of collected taxes deposited in State Clearing Accounts within 3 work days of receipt.

19.* Cash Management: Clearing Account - DLA - maximum of 2 business days for transferring funds on deposit in the Clearing Account to the Trust Fund.

20. Automation Grants: SESAs electing to utilize a portion of the integrity funding increase for Eligibility Review Program activity must provide a plan for that use in this section, since no other specific section exists for Eligibility Review Program activity.

> <u>NOTE</u>: The DLA's marked with an asterisk(*) were not in effect in FY 1998. Therefore, SESA's are not required to submit CAPS for these DLAs unless Continuous Improvement has not occurred where required.

B. <u>Corrective Action Plans for Program Reviews</u>. Using the narrative pages and pre-numbered milestone pages, SESAs will submit CAPs addressing identified deficiencies in program reviews conducted by the State, Regional Office and National Office. Examples of such program reviews include Federal programs (UCFE, UCX, etc.), Workload Validation, Benefit Payment Control, Internal Security, UI Automation Support Account (UIASA) monitoring and State Audits.

C. <u>Corrective Action Plans for BAM</u>. Using the narrative pages and pre-numbered milestone pages, SESAs will submit CAPs addressing identified failed Federal BAM requirements. The Regional Administrators will notify the SESAs when, based on the annual BAM administrative determination, States must prepare a CAP covering any failed Federal BAM requirements. The BAM requirements are contained in the Benefits Quality Control State Operations Handbook (ET Handbook No. 395). The CAP should specify measures to be taken for correcting the problem(s) in question and provide projected dates for the completion of each step in the plan on the milestone page.

V. <u>Special Planning Considerations</u>. This section provides information for SESAs to use in developing their FY 1999 PBP.

A. State Agency Resource Planning Targets for UI.

1. SESAs will prepare UI PBPs according to financial guidelines transmitted with targeted funding levels provided by the Regional Offices.

2. Regional Offices will negotiate necessary changes and revisions to targeted funding levels with State agencies.

3. Final allocations may contain increases or decreases from the Regional plans which may require some revisions to approved State plans.

B. State Flexibility. State agencies are expected to accomplish the base workloads allocated, including all activities, but have the flexibility to use the total dollars approved by the National Office among the various UI program categories as they deem appropriate. However, for purposes of determining certification of contingency funding for workload above the base, the base staff year levels for claims activities as allocated by the National Office will be used. Note that this flexibility does not include increased integrity allocations or Year 2000 Automation funding included in the President's Budget for FY 1999.

C. SESA Financial Reporting System. SESAs are free to use any accounting system that meets the standards for State grantee financial management systems prescribed by Federal Regulations at 29 CFR 97.20(a). However, SESAs must be able to report UI financial information in the form and detail described in Chapter II of these guidelines.

VI. Budget Worksheets and Instructions. This section contains instructions SESAs will need to prepare resource requests for administering the UI program during FY 1999. Budget worksheets are on pre-numbered pages in Appendix I. Only two UI program operations worksheets (UI-1 and SF 424) are required. State agencies must prepare and submit the UI-1 (via UIRR) for staff hours and travel staff year estimates and the SF 424 for base level planning and supplemental grant requests.

A. Worksheet UI-1, UI Staff Hours and Travel Staff Years. A facsimile of Worksheet UI-1 and associated form completion instructions can be found on pages 33 and 34 in Appendix I. These data are required for the development of annual base planning targets. The UI-1 worksheet is due in the National Office (Attn: TEUFA) by April 1 of each year.

B. SF 424, Application for Federal Assistance. The regulation at 29 CFR 97.10 requires the use of the OMB Standard Form (SF) 424, Application for Federal Assistance, or other forms approved by OMB under the Paper Work Reduction Act of 1995, for application for grant funds by State grantees. The Department has determined that SF 424 and its instructions are the mechanisms to be used by States for submitting applications for UI base grants and supplemental budget requests (SBRs) for additional funding.

1. Procedures for Submission. States should submit a separate SF 424, SF 424A and SF 424B for each request for base funding and each SBR. In addition, States which submit SBRs should provide supporting justification and documentation.

2. Forms Completion Instructions. States are encouraged to follow the standard instructions in completing SFs 424, 424A, and 424B; however, States are not required to complete all items on the SFs 424 and 424A. A facsimile of these forms and completion instructions can be found in Appendix I. The following are specific guidelines for completing SFs 424 and 424A:

a. SF 424. States are not required to complete Items 3, 4, 9, 12, 13, and 14 for base grants and SBRs. States should complete the remaining items. In Item 8, all SBRs are considered to be revisions. In Item 11, the title of the project should either refer to the base grant or SBR title and number. SBRs should be numbered within the fiscal year as SBRs have been in the past, e.g., 93-1, 93-2, etc.

b. SF 424A. States should complete Items 1, 6, and 16 for SBRs. States are not required to complete this form for base grants, unless they vary the number of base claims activity staff years paid by quarter; States which do so should show the quarterly distribution in Item 23 (Remarks).

3. SBR Criteria. ETA may on occasion award supplemental funds for specific items not funded in the base allocations or contingency entitlement.

a. Allowable Costs. SESAs may submit SBRs only for one-time costs that are not part of base or contingency. SBR funds may be used for the purposes identified in the SBR and/or any modifications to the original agreement approved by the grant officer.

b. Unallowable Costs. SBR funds may not be used for ongoing costs, such as maintenance of software and hardware or ongoing communications costs. In addition, SBRs may not be used to pay for salary increases, even when these increases are caused by a law change.

4. Guidelines for Preparing SBR Supporting Documentation. ETA will evaluate and approve all SBRs on the basis of supporting documentation and justification provided. Insufficient justification may delay processing and result in partial or total disapproval of the SBR.

a. Format. SBRs may address a variety of projects whose scope cannot be fully anticipated. At a minimum, the SBR supporting documentation should contain the following six elements; however, these guidelines will not perfectly fit every SBR. SESAs should use them as a minimum starting point.

1) Summary. For larger projects, the SBR should contain a summary **(**1-2 paragraphs**)** that explains what the funds will accomplish. It should identify major capital expenditures including hardware, software, and telecommunications equipment; staff in excess of base staff; contract staff; and other purchases. It should also state what the final product or results will be when the funds have been expended.

2) Commitment to Complete Project. ETA cannot assure the availability of future Federal supplemental funds. Applicants must agree to continue efforts to complete the SBR project, and supply any additional funds necessary to complete the project in a timely manner. This assurance is necessary to ensure that Federally-funded projects are not abandoned due to a lack of additional Federal funding.

3) Schedule. If the project activities haven't been completed, the SBR should include a projected schedule. The schedule should provide the projected dates for significant activities from start to completion.

4) Description of the Proposed Fund Usage. The SBR should contain a full description of how the funds are to be used and why the proposed expenditures represent the best use of funds for the SESA.

5) Amount of Funding Requested. The total dollar amount of the SBR should be included. The costs of specific program modules or tasks should also be listed.

6) Expenditures. The SBR should include a description of actual or proposed expenditures. For each specific program module or task, the SBR should include costs for:

(a) Staff. The request should identify both one-time SESA staff needs (in excess of base staff) and contract staff needs. Staff needs should include the type of position (e.g., program analysts), the expected number of staff hours, and the projected hourly cost per position.

(1) SESA Staff. Any staff costs must be for additional staff, not previously funded by the SESA's base grant. Costs incurred by regular SESA staff assigned to the project on a temporary basis cannot be funded by the SBR unless those positions are "back-filled." The request may include costs for staff that conduct training; however, personal services (PS) and personal benefit (PB) costs for staff attending training are not allowable unless those positions are back-filled. Unless otherwise justified, regular, Administrative Staff and Technical Services (AS&T), and contingency staff year costs should be based on the State (PS) and (PB) rate approved for the current year's UI grant. If not itemized in the SBR, standard add-on costs for support and AS&T staff should be based on the rates approved for the current year's base allocation.

(2) <u>Contractor Staff</u>. For contract staff, the SESA should supply documentation including the estimated positions and hours, and the anticipated costs. SESAs electing to negotiate with the ESSI, ITSC, or other available sources for technical assistance should supply the same information normally requested for all contract staff including the type of position, the expected staff hours, and the costs.

(b) <u>Non-Personal Services (NPS)</u>. SESAs either may identify itemized one-time SESA NPS needs or may calculate staff-related NPS costs by formula. If not itemized in the SBR, staff-related NPS costs (excluding data processing and other needs) should be based on the rates approved for the current year's base allocation.

(1) <u>Hardware, Software, and Telecommunications Equipment</u>. This section should include any hardware, software, and/or telecommunications equipment purchases that are a part of the request. Descriptions should show that the sizing and capabilities of the proposed purchases are appropriate for the SESA. SESAs that receive SBR funds for specific items and subsequently determine that other items are more suitable may elect to substitute contingent upon the grant officer's agreement and documentation of the appropriateness of the substituted purchases. Substitutions must be in line with the overall goals of the project.

(2) <u>Travel</u>. The request may include NPS travel costs; however, PS and PB costs for staff while on travel are not allowable.

(3) <u>Other</u>. The request may include one-time costs for other activities, not identified above, anticipated to be obtained from vendors such as telephone companies, Internet service providers, and telecommunications providers.

7) <u>Automation Acquisitions</u>. SBRs sometimes include requests for items covered under the definition of automation acquisition in Chapter II. The obligation and expenditure periods for these funds are longer than the periods for regular UI base and contingency funds. SESAs should clearly identify automation acquisition items in the SBR.

b. **<u>Additional Required Items for Law Change SBRs</u>.** SBRs for law changes must contain the following information:

1) The specific bill number of enactment.

2) Relevant provisions as an attachment.

3) Costs per legislative provision and a narrative explaining why costs were or will be incurred for each provision, e.g., implementing tax rate changes; increasing the maximum benefit amount, or creating an alternative base period.

4) If a legislative provision benefits both UI and non-UI activities, the SBR should contain a statement certifying that the request is only for costs which may be funded from UI grants.

c. **<u>Supplementary Items</u>.** Some SBRs are for large-scale, complex projects that may meet an objective over a period of years. The following items are not required, but would be helpful in the SBR evaluation process:

1) **<u>Technical Approach</u>.** If applicable, the request should describe how the SESA will use technology in this project, including the technical appropriateness of the hardware, software, and/or telecommunications equipment for integration with the SESA's current operating systems.

2) **<u>Strategic Design</u>.** The SBR should include a description of the strategic design of the project as evidence of a well-thought out analysis of operations.

3) **<u>Measurable Improvements Expected in UI Operations</u>.** The request should identify the areas in which services could be improved through implementation of the proposed project. Measurable improvements can include accomplishing necessary work using fewer steps, doing work more quickly, incorporating work steps which are not currently accomplished, or reducing the amount of error which presently occurs in the work product.

4) **<u>Supporting Materials</u>.** SESAs should attach additional materials which will enhance the content of the SBR.

VII. Assurances. The SESA Administrator, by signing the PBP Signature Page, certifies that the SESA will comply with these assurances and that the SESA will institute plans or measures to comply with the following requirements. Since the Signature Page incorporates the assurances by reference into the PBP, States should not include written assurances in their PBP submittal.

A. Signature Page. The Signature Page appears on page 1 in Appendix I. The assurances are explained in Paragraphs B - G below.

B. Assurance of Equal Opportunity (EO). As a condition to the award of financial assistance from the Department of Labor, the SESA assures that the operation of its program, and all agreements or arrangements to carry out the programs for which assistance is awarded, will comply with Title VI of the Civil Rights Act of 1964, as amended; Section 504 of the Rehabilitation Act of 1973, as amended; the Age Discrimination Act of 1975, as amended; and The Americans With Disabilities Act of 1990. Further, the SESA assures that it will establish and utilize such methods of administration as give reasonable guarantee of compliance with the above equal opportunity and nondiscrimination laws and regulations regarding the services and employment it provides. These methods of administration will, at a minimum, include:

1. Designation of a Responsible Employee. The SESA must designate an individual to coordinate its EO responsibilities. Sufficient staff and resources must be assigned to this individual to ensure effective implementation of his or her responsibilities.

2. Notification. The SESA must take affirmative steps to inform applicants, participants, and employees:

a. that it does not discriminate in admission, access, treatment, or employment; and

b. of their rights to file a complaint and how to do so.

Methods of notification might include display of posters, placement of notices in local offices, and publication of notices in newsletters, newspapers, or magazines.

3. Monitoring. The SESA must develop and implement a system for periodically monitoring the compliance status of its local offices.

4. Grievance System. The SESA must establish procedures for resolving complaints alleging discrimination on the basis of handicap in services or employment filed with its local offices. The procedures will comply with the appropriate provisions of the regulations implementing Section 504 of the Rehabilitation Act of 1973 at 29 CFR 32.45. All other discrimination complaints will be filed directly with the U.S. Department of Labor, Office of Civil Rights.

5. Accessibility. The SESA must assure that the services/programs provided in the local offices are accessible to handicapped individuals. The program information must be available to hearing and vision impaired persons and, as necessary, to persons of limited English-speaking ability.

6. Corrective Action/Sanctions. The SESA must establish procedures for taking prompt corrective action regarding any noncompliance finding of a local office.

7. Record keeping. The SESA must ensure that characteristics data (e.g., race, sex, national origin, age, handicap status) are maintained in local offices' records on applicants, participants, and employees and that such records are sufficient to determine whether that local office is in compliance with Federal nondiscrimination and equal opportunity statutes and regulations.

C. Assurance of Administrative Requirements and Allowable Cost Standards. The SESA must comply with administrative requirements and cost principles applicable to grants and cooperative agreements as specified in 20 CFR Part 601 (Administrative Procedure), 29 CFR Part 93 (Lobbying Prohibitions), 29 CFR Part 96 (Audit Requirements), 29 CFR Part 97 (Uniform Administrative Requirements for Grants and Cooperative Agreements to State and Local Governments), and OMB Circular A-87 (Cost Principles for State and Local Governments) and with administrative requirements for debarment and suspension applicable to subgrants or contracts as specified in 29 CFR Part 98 (Debarment and Suspension).

States that have subawards to organizations covered by audit requirements of OMB Circular A-133 (Audit Requirements of Institutions of Higher Education and Other Non-Profits) shall (1) ensure that such subrecipients meet the requirement of that circular as applicable, and (2) resolve audit findings, if any, resulting from such audits, relating to the UI program.

1. Administration Requirements. The following specifications of administrative requirements in 29 CFR Part 97 are applicable to SESAs in their administration of the UI program:

a. Program Income. Program income is defined in 29 CFR Part 97.25 as income received by a State directly generated by a grant supported activity, or earned only as a result of the grant agreement. States may deduct costs incidental to the generation of UI program income from gross income to determine net UI program income. UI program income may be added to the funds committed to the grant by ETA. The program income shall be used for UI administrative purposes. Any rental income or user fees obtained from real property or equipment acquired with grant funds from prior awards shall be treated as program income under this grant.

b. Budget Changes. Except as specified by terms of the specific grant award, ETA waives the requirements in 29 CFR 97.30(c)(1)(ii) that States obtain prior written approval for certain types of budget changes.

c. Real Property Acquired with Reed Act Funds. Real Property acquired with Reed Act or other non-Federal funds and amortized with UI grants are covered by 29 CFR 97.31 to the extent amortized with UI grants.

d. Equipment Acquired with Reed Act Funds. Equipment acquired with Reed Act or other non-Federal funds and amortized with UI grants are covered by 29 CFR 97.32 to the extent amortized with UI grants.

e. Real Property, Equipment, and Supplies.

(1) Real property, equipment and supplies acquired under prior awards are transferred to this award and are subject to the relevant regulations at 29 CFR Part 97.

(2) For super-microcomputer systems and all associated components which were installed in States for the purpose of Regular Reports, Quality Control, and other UI Activities, the requirements of 29 CFR Part 97 apply. The National Office reserves the right to transfer title and issue disposition instructions in accordance with section (g) of Federal regulations at 29 CFR Part 97.32. States are also to certify an inventory list of system components which will be distributed annually by ETA.

f. Standard Form 272, Federal Cash Transactions Report. In accordance with 29 CFR 97.41(c), SESAs are required to submit a separate SF 272 for each sub-account under the Department of Health and Human Services (DHHS) Payment Management System. However, SESAs are exempt from the requirement to submit the SF 272A, Continuation Sheet.

2. Exceptions and Expansions to Cost Principles. The following exceptions or expansions to the cost principles of OMB Circular No. A-87 are applicable to SESAs:

a. Employee Fringe Benefits. As an exception to OMB Circular A-87 with respect to personnel benefit costs incurred on behalf of SESA employees who are members of fringe benefit plans which do not meet the requirement of OMB Circular No. A-87, Attachment B, Paragraphs B.1O. and B.13., the allowable costs of employer contributions or expenses incurred for SESA fringe benefit plans are allowable, provided that:

(1) For retirement plans, all covered employees joined the plan before October 1, 1983; the plan is authorized by State Law; the plan was previously approved by the Secretary; the plan is insured by a private insurance carrier which is licensed to operate this type of plan in the applicable State; and any dividends or similar credits because of participation in the plan are credited against the next premium falling due under the contract.

(2) For all SESA fringe benefit plans other than retirement plans, if the Secretary granted a time extension after October 1, 1983, to the existing approval of such a plan, costs of the plan are allowable until such time as the plan is comparable in cost and benefits to fringe benefit plans available to other similarly employed State employees. At such time as the cost and benefits of an approved fringe benefit plan are equivalent to the cost and benefits of plans available to other similarly employed State employees, the time extension will cease and the cited requirements of OMB Circular A-87 will apply.

(3) For retirement plans and all other fringe benefit plans covered in (1) and (2) of

this paragraph, any additional costs resulting from improvements to the plans made after October 1, 1983, are not chargeable to UI funds.

b. Unemployment Insurance Claimant's Court Appeals Costs. To the extent authorized by State law, funds may be expended for reasonable counsel fees and necessary court costs, as fixed by the court, incurred by the claimant on appeals to the courts in the following cases:

(1) Any court appeal from an administrative or judicial decision favorable in whole or in part for the claimant;

(2) Any court appeal by a claimant from a decision which reverses a prior decision in his/her favor;

(3) Any court appeal by a claimant from a decision denying or reducing benefits awarded under a prior administrative or judicial decision;

(4) Any court appeal as a result of which the claimant is awarded benefits;

(5) Any court appeal by a claimant from a decision by a tribunal, board of review, or court which was not unanimous;

(6) Any court appeal by a claimant where the court finds that a reasonable basis exists for the appeal.

c. Reed Act. Payment from the SESA's UI allocations made into a State's account in the Unemployment Trust Fund for the purpose of reducing charges against Reed Act funds (Section 903(c)(2)) of the Social Security Act, as amended (42 U.S.C. 1103(c)(2)) are allowable costs provided that:

(1) The charges against Reed Act funds were for amounts appropriated, obligated, and expended for the acquisition of automatic data processing installations or for the acquisition or major renovation of State owned office buildings; and

(2) With respect to each acquisition or improvement of property, the payments are accounted for as credit against equivalent amounts of Reed Act funds previously withdrawn under the respective appropriation.

d. Prior Approval of Equipment. This exception amends the requirement in OMB Circular No. A-87 that grant recipients obtain prior approval from the Federal grantor agency for all purchases of equipment (as defined in 29 CFR 97.3). This authority is delegated to the SESA Administrator.

D. Assurance of Management Systems, Reporting, and Record keeping. The SESA assures that:

1. Financial systems provide fiscal control and accounting procedures sufficient to permit timely preparation of required reports, and the tracing of funds to a level of expenditure adequate to establish that funds have not been expended improperly (29 CFR 97.20).

2. The financial management system and the program information system provide federally required reports and records that are uniform in definition, accessible to authorized Federal and State staff, and verifiable for monitoring, reporting, audit and evaluation purposes.

3. It will submit reports to ETA pursuant to instructions issued by ETA and in such format as ETA shall prescribe.

4. The financial management system provides for methods to insure compliance with the requirements applicable to procurement and grants as specified in 29 CFR Part 98 (Debarment and Suspension), and for obtaining the required certifications ("Certification Regarding Debarment and Suspension Ineligibility and Voluntary Exclusions - Lower Tier Covered Transactions") by any participant in a lower tier covered transaction.

E. Assurance of Program Quality. The SESA assures that it will administer the UI program in a manner sufficient to ensure proper and efficient administration. "Proper and efficient administration" is measured by ETA through the SS/DLAs and the administration of the UI BAM program requirements.

F. Assurance of Use of Unobligated Funds. The SESA assures that it will use unobligated funds as of December 31, 1999, only for automation acquisitions (as defined in Chapter II); the SESA further assures that expenditures after March 31, 1999, will only relate to automation acquisitions. Any unused funds remaining as of September 30, 2001, may not be obligated by the SESA. With prior written approval of ETA, the SESA may liquidate (expend) non-ADP obligations after the 90 day period. Failure to comply with this assurance may result in disallowed costs from audits or review findings.

G. Assurance of Prohibition of Lobbying Costs. The SESA assures that in accordance with the DOL Appropriation Act no UI funds will be used to pay salaries or expenses related to any activity designed to influence legislation or appropriations pending before the Congress of the United States.

CROSS-REFERENCE LIST FOR UI PBP CHECKLIST

ITEM	**FORM TITLE**
Transmittal Letter	None
Organization Chart	None
Drug-Free Workplace Certification	None
Lobbying Certification	None
Signature Page	ETA 8623

CAPs/Milestones:

SS/DLAs:

(a) Initial Claims Promptness for Intrastate
(b) Initial Claims Promptness for Interstate
(c) Initial Claims Promptness for UCFE
(d) Initial Claims Promptness for UCX
(e) NonMonetary Determination Performance for Intrastate Separation Issues (and/or integrity plan for Sep. Issues)
(f) NonMonetary Determination Performance for Intrastate Non-separation Issues
(g) NonMonetary Determination Promptness for Intrastate Issues
(h) Combined Wage Claims Wage Transfer Promptness
(i) Appeals Performance
(j) Appeals Promptness for Lower Authority
(k) Appeals Promptness for Higher Authority
(l) Status Determination Promptness
(m) Field Audits (and/or integrity plan for Field Audit)
(n) Reporting Delinquency
(o) Collection Promptness
(p) Necessary corrective action to improve the recovery of fraud/nonfraud benefit overpayments (and/or integrity plan for BPC)
(q) Automated Overpayment and Fraud Detection and Collection Systems
(r) Cash Management - Deposit to Clearing Account
(s) Cash Management - Transfer Funds from Clearing Account

(t) Cash Management - Benefit Payment Account
(u) Automation Grants (integrity plan for Eligibility Review Program)

Program Reviews:

(a) Federal Program Reviews (UCFE, UCX, etc.)
(b) BPC Reviews
(c) Internal Security Reviews
(d) Workload Validation
(e) Automation Grants

<u>QC Annual Determinations</u>:

(a) Meets Organizational Requirement for QC
(b) Meets Authority Requirement for QC
(c) Meets QC Requirement for Written Procedures
(d) Meets QC Requirement for QC Format
(e) SESA Sample Selection -- Sample and Investigates the Number of QC Cases Allocated by DOL
(f) Timeliness of QC Case Completion -
(95% W/I 90 days)

Worksheets/Forms:

UI-1 - UI Staff Hours and Travel Staff Years
SF 424 (A)&(B) - Application For Federal Assistance